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ABSTRACT

The importance of insurance in the school budget is the theme of this comprehensive bulletin on the practices and policies for Texas school districts. Also considered is the development of desirable school board policies in purchasing insurance and operating the program. Areas of discussion are: risks to be covered, amount of coverage, values, inventory procedures, coinsurance, bidding, types of insurance, adequacy of coverage, and record keeping. A sample of an insurance register, some selected references, and a glossary of insurance terms are included. (RH)

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SCHOOL INSURANCE

prepared by

TEXAS ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

EF 000478

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Foreword

For many years, Texas school business officials have been concerned about school insurance. The continuous study of this problem through an insurance committee of the Texas Association of School Business Officials has resulted in this bulletin which presents information on school insurance to assist those responsible for the school insurance program.

A school district has a large investment in its physical assets. The capital invested in school sites, buildings, and equipment, in addition to operating costs, make it the largest economic enterprise in most communities. Protection against fire and other types of losses through insurance coverage is a responsibility of the board of education and the administration.

Insurance programs require study and planning. Property values are constantly changing and should be kept up-to-date through property accounting inventories. A good insurance program is simple, comprehensive, economical, adequate in coverage, and budgeted in the amount of premiums to be paid annually.

The Texas Association of School Business Officials is making this bulletin available to all schools and not limiting its distribution to association membership.

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BACKGROUND AND SIGNIFICANCE OF THE STUDY

In a series of committee studies the Association of Public School Business Officials summarized fire insurance experience results in selected city school systems in the United States and Canada. The committee did not attempt to evaluate these results but used them as a basis of comparison in reporting the fire-loss ratios for city school building insurance. The committee found that fire-loss payments for all coverage for stock insurance companies were about one-half of the premium dollars received. This committee reported for the cities mentioned a total school fire-loss ratio of 28.7 per cent for the 10-year period, 1921 through 1930. The 1941 committee report covered schools in 257 cities for a 7-year period, 1931 through 1937, and showed a fire-loss ratio for these cities of 26.9 per cent. In support of their contention that city school fire insurance rates were too high, the committee cited National Board of Fire Underwriters' research 1932 through 1938. The report showed a fire-loss ratio of 40.6 per cent for all types of educational institutions as compared with all other types of buildings. A 1945 association committee report summarized the loss-ratio experience for certain cities for the three periods by states.

A 1953 bulletin on school insurance administration was prepared by the American Association of School Administrators. School insurance is also the basis for a number of current studies. A doctoral thesis by John C. Curry in Indiana studied school building insurance losses.

Viles states that for years state and local school officials have raised frequent questions concerning school insurance programs. These questions relate to many areas of insurance protection in property, casualty, compensation, fidelity and burglary insurance. Some of the specific questions

were related to such administrative problems as the amount of coverage to carry, the distribution of the amount of insurance to various agencies, maturity schedules, coinsurance contracts, and self-insurance.

Viles in his review of the literature, said the field of insurance on public school buildings is evidence that the problem of administering the insurance program has been prevalent for many years. These studies cover many subjects including state insurance funds; how mutual insurance reduces insurance costs through the elimination of fire hazards; property appraisals; coinsurance; and the ratio of losses to premiums paid, legal studies on insurance, procedures for an insurance program and the selection of agents and companies. The literature also indicated that school administrators and boards of education have many problems to solve in the area of school insurance administration.

Recent studies indicate a belief that school insurance costs are excessive and reflect a desire to effect a change either through rate reduction or some form of self or state insurance. Some of the studies indicated a need for more assistance from state departments of education. There seemed to be a general feeling that local districts' insurance administration should be improved and that cost of insurance could be reduced.

The importance of insurance in the school budget seems to justify at this time a comprehensive bulletin of the practices and policies for school districts of Texas and the development of desirable school board policies in purchasing insurance and operating the program.

GLOSSARY OF INSURANCE TERMS

Accident Insurance - Insurance designed to cover accidental injury on an occurrence basis without reference to legal liability.

Agent, Insurance - Since the insurer (company) does not usually deal directly with the insured (school district), negotiation is usually carried on through an agent who represents the insurer.

Appraisal - An appraisal is a means of establishing the present worth of a building through an analysis of costs less depreciation. The present worth is also referred to as sound net value.

Average Rate - The average rate is a composite rate computed for the insurance of several buildings in one policy. The average rate is used in computing premium costs on specific schedule policies. The average rate is determined by the total premiums divided by the total amount of insurance.

Base Rate - The base rate is the minimum rate upon which insurance may be written for buildings of a particular class. It is the beginning point to which penalties are added and from which credits are subtracted to determine the published rate.

Best Insurance Guide - A source of information that gives one a very good rating of mutual companies as well as stock companies which have reliability and financial soundness. (Published annually)

Blanket Policy - A blanket policy is a policy issued to cover a number of buildings and contents written for a stated amount of insurance but specifying no amounts for individual buildings.

Coinsurance - The coinsurance clause as a part of the fire insurance policy assures the insured a reduction in the rate if the insured warrants that he will carry insurance at a stated percentage of his property value. Upon failure to do so by the insured and in case of loss by fire, the insured agrees to accept settlements for an amount which bears the same ratio to the entire loss as the amount of insurance carried bears to the property value percentage stated in the policy.

Contents - Ordinarily, contents include all items of equipment and furnishings that are housed in a building but that are neither an integral part of the building nor permanently attached to it.

Credits - Credits are subtracted from the base rate when the building has good structural features such as steel or concrete beam construction and concrete subfloors and when provisions have been made to protect against fire loss.

Dean Analytic System - This is a copyrighted system of rating buildings for insurance rates. All states using the

Dean Analytic System - (Continued) system have substantially the same scale of charge and credits. The controlling factors for determining the base rate are structure, exposure, occupancy, and classification of the town.

Depreciation - No property or asset is completely permanent or immutable. Depreciation is a measure of the extent to which an asset has been consumed.

Distribution Clause - A provision of a blanket fire insurance agreement that restricts the amount of recovery for loss occurring to any individual building or property to the amount of insurance covering that specific property.

Deviated Schedule - A policy that is written with the premium below the book rate.

Endorsement - A written agreement added on or attached to an insurance policy and serving the purpose of either clarifying the basic insurance agreement or amending it by restricting or extending its provisions.

Exclusion - A clause in the insurance contract that specifically designates that if a defined act, situation, or property, does not come within a scope of the risk being assumed by the insurance property.

Extended Coverage - Insurance protection written as an endorsement to a fire insurance agreement and extending the protection from loss by fire and lightning exclusively to loss from the additional perils of windstorm, hail, explosion (except steam boilers), riot, civil commotion, aircraft, vehicles, and smoke.

Fidelity Bonds - A form of surety-ship that protects an employer against loss caused by the dishonest acts of employees.

Group Insurance - An insurance agreement made between an insurer and an association or organization and covering all or part of the members or employees. Life, accident, health, and hospitalization insurance are often written on a group basis.

Individual Fidelity Bond - A fidelity bond that covers the dishonest acts of one specific employee, officer, or agent for a specified amount; sometimes known as a Name Bond.

Insurable Value - The insurable value is the amount remaining after the exclusion items have been subtracted from the sound net value or present worth.

Insured - The party or organization whose risks are being transferred or assumed through the insurance contract or policy. When a school district takes out insurance, it is the insured party.

Insurer - The insurance company or companies. A business organization licensed by the state to write insurance. Accept by contractual agreement the transfer of risks for certain losses of others and to make accumulations, to meet such losses.

Liability - The legal obligation to assume responsibility for one's own acts or omissions, including injury to another's person or property.

Liability Insurance - Insurance designed to cover some or all aspects of the legal liability exposure of the insured. Texas school districts are not legally liable for the negligence of their employees.

Loss Ratio - Loss ratio is the ratio of fire loss to premiums paid. It is the term used by insurance companies to indicate the percentage of earned premiums that is paid out in losses for a given year. If the loss ratio is 50 per cent, then the company has paid out 50 per cent of the premiums taken in to pay for losses occurring during the year.

Mutual Companies - A mutual fire insurance company, in contrast to a stock company, is organized without the use of capital subscription. Theoretically a mutual company is made up of a number of individuals who have combined for the purpose of mutual protection in case of a loss by fire on property

Mutual Companies - (Continued) insured. Mutual companies are classified as assessable and nonassessable. The nonassessable types operate much like a stock company except that the insured member shares in the profits of the company. The assessable types in turn operate much like the nonassessable companies except that the member may be assessed to pay his pro rata share of losses that others of the group may suffer.

Original Cost - The actual cost of an item or facility at the time of original acquisition.

Package School Insurance - The combination of several perils into one form. Today, however, a package policy includes the so called fire and allied lines, liability, crime, boiler, machinery, and other coverages into one "package" policy.

Penalties or Charges - The penalties or charges are the debits added to the base rate for certain points of deficiency such as structural defects or hazards due to the occupancy of the building, poor housekeeping and maintenance.

Policy, Insurance - The insurance agreement or contract entered into between the insurer and the insured.

Policy Term - The period of time covered by an insurance agreement. For example, fire insurance is written upon a one-year, a three-year, and a five-year basis.

Principal - The party or parties to which a contract is directed.

Rate, Premium - The unit charge made for insurance protection, usually quoted as the charge for each $100 of coverage.

Rate, Published - This is the rate after penalties have been added to a base rate or credits have been deducted. It is the rate upon which insurance premiums are based.

Rate Term - The period of time upon which the premium is based.

Rating Sheets - The rating sheet is the make up sheet computed by the rating bureau of the fire risk at any particular building. The rating sheet or survey includes a record of the following on the building: size, construction, structural features, hazards and prospective devices.

Replacement Value - The replacement value is the amount that a new building would cost if it were rebuilt at the time according to original plans and specifications.

Specific Policy - A specific policy form is a policy issued to cover one specific building and its contents.

Specific Schedule Policy - The specific schedule policy form is issued to cover a number of buildings and lists for each the location and amount of insurance on it and

Specific Schedule Policy - (Continued) its contents. A composite rate is computed to cover the entire amount of insurance.

Spectator Chart - Information gives rating of reliability and financial soundness of insurance companies.

State Insurance - A political unit, such as a state, may assume any loss that may occur through fire by establishing its own state insurance fund. The fund is established on the same principles as that of any insurance company--widely distributed risks and a large enough number of risks to permit the law of average to work uniformly. State insurance funds are operated in accordance with sound business practices and managed according to the practices and policies used in the management of stock and mutual insurance companies. State insurance funds operate on the theory of economy or a saving of public funds.

Statement of Values - A formal statement made to an insurer or rating bureau setting forth the insurable value of properties that are to be insured.

Stipulated Value - Values agreed to by both parties to a contract.

Stock Companies - A stock fire insurance company is a corporation organized with a capital stock. The corporation in turn determines the probability of loss by fire in a large number of cases for a certain

Stock Companies - (Continued) period of time and from this calculation fixes a certain rate called a premium. On payment of the premium the insurer agrees to indemnify the insured in case of loss by fire. The insured is relieved of all risk and does not share in the profit or loss that may occur through the operation of the company.

Surety - A company or individual that guarantees to a second party the performance of a third party.

Surety Bond - A contract in which a company or individual guarantees a second party against loss due to acts or omissions of a third party.

Term Insurance - Insurance rates are quoted on a one-year basis. However, term insurance is written for a three-year or five-year term.

Term Rate - A term rate is the amount charged for insurance when purchased for a period longer than one year. The term rate for three years is two and one-half times the annual rate; for five years it is four times the annual rate.

Tort - Any wrongful act not involving a breach of contract but which results in personal damage for which civil action may be taken.

Vandalism - The willful or malicious physical injury, or destruction of property.

RESPONSIBILITY FOR THE SCHOOL INSURANCE PROGRAM

The local board of education has the legal authority to adopt policies and regulations on school insurance for the district. (Article 2827--Page 799, Texas School Law, J. C. Hinsley). The superintendent or business manager generally serves as the executive officer to carry out the insurance program adopted by the board. The final decisions on school insurance matters are obligations of the board. (Article 2827--Page 799, Texas School Law). In some instances the board may appoint an insurance supervisor, a local agent to advise on procedures, a committee of the local insurance agents' association.

The final decision on types of coverage, amounts of coverage, selection of carriers and allocation of business to local agents is an obligation of the board. (Article 2827--Page 799, Texas School Law). School property may be insured and payment of premiums provided for from local maintenance funds in the school budget.

Texas school boards are not required to carry insurance except as it relates to surety and personal bonds, and it should be understood that a surety and personal bond is not an insurance policy. A surety and personal bond reimburses a school district for any loss caused by the dishonest act of an official covered by the bond. (Article 2832--Page 816 and Article 2779b--Pages 434-435, Texas School Law). Fidelity insurance or bonding of school officials and staff members is authorized by many boards, but there is no State law pertaining to this type of coverage. The board does have an obligation to protect property and carries insurance on school property in the district. Here the school board is acting only as a prudent agency of the community.

DECISION ON RISKS TO BE COVERED

There is no State law designating the kind or amount of insurance that a school must carry. The school board and the administration should determine what risks need to be covered to protect the district's properties. Full coverage may be desired in certain instances and less coverage in others. In determining the risks to be covered the board will need data on insurance costs and losses. The selection of risks to be covered will vary from district to district but a good analysis of insurance data will serve as a basic guide to a good insurance program for a school district.

To assist in this analysis, the school board should appoint a committee, which consists of a teacher, a school board member, a member of the administrative staff, a lay citizen, an insurance agent or broker of the community, and the agent from whom the school district buys insurance, with provision for replacing no more than two members each year. The committee should meet annually at a designated time to review the insurance of the school district. The committee should consider: (1) the amount of money that the district can pay for insurance; and (2) how much insurance is needed to cover the buildings?

Once the committee has determined these points, they should present the information to the school board. The final decision is then made by the school board based on the recommendations of the committee. The school board member on the committee would serve as the liaison person between the committee and the board. The teacher would serve likewise between the teachers and the committee, with the lay citizen serving between the committee and the community. In this way, the community would be informed of the board's activities regarding coverages of the total school insurance program.

The committee should have available each year information on the amount of insurance coverage on the buildings, and should ask the insurance agent to analyze the insurance data and make any clarification requested. It is the duty of the school official to examine records in order that information is kept up-to-date. Insurance records should be examined each year also to determine if furniture or equipment are needed for additions to buildings. The contracts for new buildings supply the cost figure of the building; school records determine the cost of the furniture, equipment, chalkboards if installed by the school, and other equipment. The total of these costs indicates the amount of additional coverage needed to determine the total insurance coverage of the old building. Architects and contractors would be able to estimate the replacement of the building, plus the cost of re-equipping the building, at present day figures. A building cannot be built today for yesterday's cost with prices increasing.

DECISION ON THE AMOUNT OF COVERAGE

In general, property and fidelity risks are not too difficult to evaluate, but there is little established criteria available in the field of casualty and liability insurance. Some school districts purchase no liability coverage on the theory that the district is not liable while others purchase it in the hope it will cover all claims. Liability coverage of school districts has been questioned as to whether it is legal for districts to carry liability insurance. The old common-law doctrine which states that "A king can do no wrong," is responsible for this question. The courts declared the states sovereign so they can not be sued without consent. Therefore, the general rule regarding school liability states that school districts as agents of the state are not liable while performing government functions unless liability is created by law. The courts also stated that school funds cannot be subject to loss through a law suit which would dissipate the funds, thus terminating the district's educational program. A similar situation exists in regard to casualty and accident insurance. In cases where boards purchase either casualty or liability insurance, an arbitrary amount is usually set.

Local boards of education are generally concerned with fire, windstorm or tornado, extended coverage, collision, and theft insurance. The insurance program is revised when the policies in force expire, new facilities are provided, or the rates have decreased sharply.

In making a decision on the amount of protection needed for physical properties, boards of education should consider such factors as: insurable values as determined by appraisals and inventories, local policy, financial ability, and legal requirements.

The purposes for which insurance may be purchased are becoming almost unlimited in the medley of today's living. In struggling over the complexities of insurance administration, as necessary as insurance is for financial protection, it should be emphasized that prevention is the positive approach. If it were possible to arrive at the perfect state of efficiency in operating a school, there would be little need for any insurance except that which would protect a school from "acts of God," such as tornado, flood, lightning, and earthquake. Fires would not start because there would be no carelessness and misuse of materials that cause them. Boilers would not explode because they would be properly maintained and inspected. Accidents would not happen because education and effective supervision would eliminate them. Equipment and money would not be stolen because there would be efficient management with proper controls and safeguards.

While this ultimate state of managerial efficiency will seldom be achieved, it can be more nearly approached than at present if each school system designated a person to be responsible for safety. A sum of money is more wisely spent to prevent a catastrophe than to pay for one.

Safety education and accident prevention as a definite part of the administrative process are more important than insurance. During budget making, however, insurance is considered a fixed and necessary cost while safety training is considered a luxury. As a result, insurance premiums are paid and training is left to chance. Experience in private enterprise shows that the cost of safety engineers is more than paid for through preventive measures. School districts, with buildings and grounds as large as any in the community and with more personnel (including children and employees) than any other private or public agency, cannot afford to remain indifferent to safety and accident prevention.

INSURABLE VALUES

Annual values based on inventory (property accounting) are important if values are to be kept current. Some school systems may not be able to inventory oftener than every two or three years, but it would be better if it were done every year.

The replacement cost is generally a sound basis for determining adequate coverage. Some of the ways that replacement cost can be estimated are by:

1. Original Cost
2. Original cost minus depreciation
3. Original cost plus inflation
4. Total replacement cost less the exclusion cost (plumbing, grating, material below ground) undepreciated insurable value; added to the content (furniture, movable equipment, supplies, teaching materials, and all other related materials).
5. Appraisal firm
6. Insurance agency and superintendent

Insurance companies, commercial appraisal companies and structural engineers can evaluate the cost of replacement. Current records on equipment, are of value in determining the amount of coverage for the contents in a particular building.

In general, a board of education should basically follow the cost of replacement which can be established by appraisals and inventories. Insurance coverage on nonproperty risks is determined by evaluating the amounts of risk involved.

APPRAISALS

Methods of determining the value of buildings and equipment are cost of replacement, appraisal by an insurance engineer, appraisal by an architect, appraisal by a structural engineer, appraisal by an independent appraiser, or appraisal by school personnel.

School building appraisals may be made by one of several groups, such as architects, contractors, structural engineers, insurance representatives, independent appraisers, and appraisal by the school staff.

One of the most important problems in the development of a school district's insurance program is the appraisal of school property for the purpose of determining its insurable value. Appraisal is the establishment of the true present value of a property, and if not kept up-to-date, a school district may become either under-insured or over-insured. Rising costs during the last few years may result in some schools being presently under-insured. When construction costs are rising it would be good business to re-evaluate property every two years.

Where coinsurance is carried on a building, it is important that appraisals be made often enough to prevent the district's being unduly penalized in case of loss.

Information on the original cost is of value in making an appraisal; when insurable value has been determined it can be adjusted up or down in line with present building costs since the building costs are not constant.

Replacement cost is basic information if the same plan is used and building materials are comparable to those of the original building.

INVENTORIES

Closely related to appraisal for insurance purposes is the inventory of the contents of the building. Available data on the quantity, cost, age, and condition will aid in claim settlements and provide adequate coverage. Inventory records should be kept in fire-proof storage as perpetual records.

Local school officials need to know the insurable value of school properties in order that insurance premiums may be limited to the amount of coverage expected to be collected in case of a total loss.

School officials should devote more time to and provide better storage for school inventory records. During 1962 a study was conducted in Texas which revealed that 69% of the records could not be located by superintendents. In 65% of the cases, records were in manila folders, and only the superintendent could locate them. An insurance register and a tickler could be kept to simplify the keeping of records. Insurance records should be kept in a fire-proof safe or vault.

LOCAL POLICY AND LOCAL FINANCIAL ABILITY

After arriving at insurable values for school properties, local boards of education will want to establish policies and regulations as to the risks to be covered, the amount of coverage to be purchased on these risks, and whether or not coinsurance is to be used as a part of the insurance contract. Local policy will be fairly well-determined by the financial ability of the district. A wealthy district may decide to purchase fire insurance only and assume the other risks. Regardless of a district's financial ability, the school board may want to consider deductible coverage for certain buildings, contents, buses, or partial coverage on certain property, and complete coverage on other property.

School districts in Texas carry a variety of insurance policies but the most common type is fire insurance. The basic fire insurance policy covers loss by fire and lightning of a building or a group of buildings and the contents. This policy may be modified by adding endorsements, waivers or permits.

A good school insurance program will include three or five year policies with the premiums distributed equally over the insurance period. A three-year policy is based on two and one-half times the annual rate; a five-year policy on four times the annual rate. In some instances the payment of premiums is staggered over the five-year period without interest cost.

When a community receives a substantial credit (fire record) based on fire losses, it may be good business to cancel out (short rate) the existing policy and write a new one, preferably for five years. This is also applicable when a better "experience" change occurs in the rate.

SECURING LOWEST PREMIUM RATES

After having placed responsibility for administering the school insurance program, designated the risks to be covered, and decided on the amount of coverage for each risk, the board will want to purchase insurance at the lowest possible cost.

The following suggestions may be of value in reducing insurance cost:

1. Using coinsurance with a stipulation of 80% (or more) coverage of value can reduce premium rates.
2. Classifying fixed contents as a part of the building rather than as contents.
3. Insuring buildings and contents at the replacement cost.

4. Using deductible coverage, beginning with a minimum of $5,000.
5. Calling for bids on the total insurance program.
6. Using a deviated schedule. (This can save as much as 20% or more in many cases.)
7. Having one master policy for the district.
8. Having the school insurance program written on a term basis, three or five years.

There are many factors that contribute to fire insurance rates on school buildings, such as type of construction, water supply, fire protection, fire alarm service, and hazards.

A preliminary rate on new buildings can be secured by submitting final plans and specifications to the State Board of Insurance by the school district. This can be done by the district's insurance representative.

To secure lowest premiums, it may be advisable to have one agent in charge of the insurance plan. He will then divide the insurance into different areas and distribute it equally among the several representatives in town.

POLICY TYPES

There are four definite policy types, all coming within the standard policy form, namely; specific, blanket, schedule, and package.

Specific Policy

The specific policy is used to cover a particular building, or both the building and its contents. However, the amount of insurance applicable to each is shown on the policy.

Blanket Policy

The blanket policy covers a group of properties but does not necessarily apply to any one property. It may apply to only one building and its contents or to several buildings and contents at one location, or it can apply to all buildings and contents at all locations in the district. When used to cover two or more properties, the distribution clause or the percentage average clause must be a part of the policy.

A blanket policy gives a certain amount of protection (stated in dollars) on several school properties but this amount does not specifically apply to any one property. Blanket insurance of 90% of the total values can be carried and the district might still receive full recovery on any one building.

One of the advantages of blanket insurance in school districts insuring more than one building is the fact that school officials are assured that all property is covered even though parts might be moved from one building to another. Another advantage is the establishment of one rate which eliminates the detailed record keeping involved in different properties at different rates.

Schedule Policy

The schedule policy may cover several risks, if an attachment giving a schedule of the risks covered is used. The schedule lists the names, the location, and the amount of coverage provided by the policy for each insured object in the schedule. The chief advantage of the schedule policy is that it reduces the number of policies school officials must handle as compared with the number of policies needed if all policies were of the specific type.

Package Plan

The package plan is the combining of several perils into one form. Today, however, a package policy includes the so-called fire and allied lines, liability, crime, boiler, and machinery and other coverages. Texas laws and regulations prevent the Texas Insurance Commission from agreeing to this type of plan, but it is a saving to the school districts in other states that are authorized to purchase the plan.

A true package policy would reimburse the school for any reduction of assets other than a business loss and would be very helpful. An advantage to a package policy would eliminate the delay in payment of losses which might fall under two policies. For instance, a boiler policy does not pay any loss by fire. If there should be a boiler explosion followed by fire, considerable argument could occur between companies as to how much should be paid by each.

TYPES OF INSURANCE

Many kinds and combinations of insurance are available. The following list attempts to categorize and briefly define them.

1. Fire. This is the most common type; it insures the building and contents against damage caused by fire.
2. Windstorm. This pays for damages incurred through loss by any type of windstorm, including tornadoes and cyclones.
3. Boiler. This policy provides protection against property damage, injury, and death due to the explosion of furnace boilers and pressure tanks.
4. Glass. In this policy the insurance company agrees to replace any window or door glass damaged in or around the school premises.

5. Floater or All-risk Policies. This insurance protects the various kinds of expensive equipment and material used and owned by the school, such as musical instruments, visual-aid equipment, rare books, art, and manuscripts. Because it was originally established for items moved from one location to another it is regulated under the classification of inland marine insurance.

6. Burglary, Robbery, and Theft. This insurance provides protection against burglary, robbery, or theft. Many conditions for insurability are written into such policies; the business manager should study the conditions and definitions carefully to be sure he is obtaining the insurance desired.

7. Automobile and Bus. This insurance, divided into two types, protects the school district against (a) loss due to damage or destruction of the vehicle itself, and/or (b) liability for damage and injury caused by the vehicle to persons or property.

8. Liability Insurance. This policy pays for bodily injury damage which may be caused by accidents arising from negligency of employees or from property owned, used, or maintained by the school district.

9. Workmen's Compensation. This protects the school from loss through reason of liability imposed by law for damages because of injury, disease, or death of employee resulting from employment.

10. Surety Bonds. This insurance is of three general types. Fidelity bonds protect the school district against loss or damage through dishonesty of employees. Public officials' bonds provide against loss not only for dishonesty by employees but from misfeasance and malfeasance of office. Contract bonds insure against loss due to failure of a contractor to provide services, supplies, equipment, and facilities as agreed upon with the school district.

11. Accident Insurance for Pupils. This insurance provides coverage for pupils in the school who may be injured while participating in the activities of the school.

TYPES OF CASUALTY INSURANCE

Surety Bonds

A surety bond is not an insurance policy on a school official. It protects the school district from loss caused by an official covered by the bond.

Surety bonds are required of the school treasurer which is generally the depository bank.

Surety or personal bonds are required of the school district tax assessor-collector.

The custodian of free textbooks should have a continuation certificate

The advantages of a blanket bond are:

1. All employees of the district handling money may be covered.
2. The policy runs for one year and the premium is stable.
3. New employees may be covered immediately.
4. Recovery from loss is paid when proof of loss is determined.

5. Blanket coverage is more economical than individual coverage.

COINSURANCE

Coinsurance is a special clause which may be used with a number of different types of coverage. This contract provides that the insured must carry insurance up to a certain per cent of the value of the risk.

A coinsurance contract is an agreement between a school district and an insurance company whereby the school district agrees to carry coverage at 80%, 90%, or 100% of the actual cash value of its property. The more coverage that is purchased, the less the rate. In order to qualify for a reduced rate, a school district agrees to carry a specified amount of insurance, usually 80% but sometimes 90% or 100% of the cash value of the building and/or its contents.

The agreement of the policyholder to carry a high percentage of insurance enables insurance companies to grant rate reductions on fire-resistive or semi-fire-resistive buildings in both protected and unprotected areas.

When the local district carries sufficient coverage to equal the percentage of value stated in the contract, then the insurance company assumes all risks up to the face of the policy, whether the loss is partial or total.

If coinsurance is carried and there is a loss, the district collects the amount of its loss up to the face amount of the policy. If the school district carries less than the 80% that is designated in coinsurance policies, then in case of loss the district will be penalized in direct proportion of the amount of insurance it neglected to procure.

The rates of coinsurance vary according to the per cent of coverage, the type of construction used in the building and the nature of the local fire protection which is provided.

Types of Construction

Fire-resistive

Semi-fire-resistive

Combustible

Mixed

Fire Protection

Incorporated with fire department

Fire hydrant - water supply

No fire department

Sprinkler system

No available fire hydrant

Outside city limits

The coinsurance contract places the responsibility for the value of property covered upon the owner. Any change in value should result in changes in the amount of coverage.

DEVIATING INSURANCE

Devaiting companies in the past few years are selling insurance at deviating rates. These rates are lower than the 80-20% as in coinsurance. Some companies deviated as much as 60-40% to get business. Before purchasing this type of insurance, school officials should carefully examine this type of insurance.

TYPES OF COVERAGE

1. Fire insurance with extended coverage (hail, wind, tornado, windstorm).
2. Boiler insurance generally called a floater policy, (Special coverage on certain equipment as band instruments and typewriters.), collision, accident, liability.
3. Other types:
    a. Vandalism and malicious mischief
    b. Sprinkler leakage if any part of the property is protected by automatic sprinklers.
    c. Broad form coverages
        - Water damage resulting from broken pipes and fittings in the buildings.
        - Falling objects
        - Weight of snow, sleet, and ice
        - Collapse
    d. Glass breakage
    e. Damage to outdoor signs
    f. Earthquake and land movement
    g. Broad form water damage
    h. Flood and rising waters
    i. Burglary, robbery, and theft of property from inside the buildings.

EXTENDED COVERAGE

A common type of endorsement to a fire insurance policy is extended coverage. This is simply an extension of the regular coverage of damage by fire and lightning to other perils such as explosion, smoke, wind, hail, aircraft, riots, and vehicle damage. Such coverage does not increase the amount of insurance on a building or on the contents of a building. The inclusion of all coverages in a single policy provides more comprehensive insurance coverage to the school district and should be cheaper than a number of individual policies.

DEDUCTIBLE COVERAGE

Deductible coverage on school property is similar to deductible coverage on an automobile but involves larger amounts per unit of reduction. There is a decided reduction in the rate on this type of insurance policy, and the larger the reduction, the lower the rate.

Deductible insurance is not economical except in large sums ($5,000 and up). The savings from this type of coverage should be placed in a reserve fund to cover any losses.

POLICY TERMS

The policy term is the length of time elapsing between the effective date of the policy and its expiration date. Some types of risks may be covered for one year; some have policy terms of three or five years. Others, such as fidelity insurance, may be on a continuing basis.

In fire insurance and related types of coverage, most school officials prefer the three-year or five-year term. This provides coverage at reduced rates because of the longer term. Some companies offer a budget payment plan which is deferred payment. This plan allows systematic budgeting and schools can avoid heavy financial outlays on insurance for certain years.

All policies of one kind, written for one year, should expire on one fixed date. On this basis, the board needs to consider the insurance problem only once each year. By using the schedule type policy and one expiration date, annual bookkeeping is simplified. This applies to distribution of business to local agents and is a good pattern for the board to follow on all insurance other than property coverage.

SELECTING THE CARRIERS

School officials usually take the insurance policies that local agents prepare with limited attention to the companies with which they are written. In purchasing insurance protection, school officials should purchase the best insurance available for the money. A commercial rating system, Best's Insurance Guide, prepares rating schedules for the various insurance companies which are available for inspection. In selecting an insurance carrier it would be well to remember that the business of the company should be national in scope; its assets highly diversified; good loss experience, ample capital surplus, and voluntary reserves; and its surplus to policyholders should not be less than its unearned premium reserve.

The distribution of insurance to company agents has been considered under this criterion because of the good will and good public relations that can be created through an equitable distribution plan. Many boards of education leave themselves open to criticism because of an inequitable

method of distributing the school's insurance business to local agents. The agents come in contact with many persons in the community and many types of business. Consequently, their approval of the school's methods of transacting business is important in establishing good public relations.

The board of education should establish some equitable distribution plan for the allocation of insurance to local agents. To make the distribution plan more effective, the local agents should be encouraged to participate in the formulation of the plan. The board of education and the insurance agents, working together on an equitable distribution plan, should be able to formulate a method of insurance distribution acceptable to both groups. Several cities, particularly Fort Worth, Minneapolis, and Oklahoma City, have established procedures and application forms for agents interested in the school's insurance business.

A good example of this method is provided by the Oklahoma City Association of Insurance Agents which has 135 members representing capital stock fire and casualty companies. The Association allots the insurance to the members and collects the premiums. Advantages of this plan of allocating insurance are: (1) the number of fire insurance policies are reduced; (2) the problem of the division of commissions to local agents is taken care of by the Association and the board of education is relieved from political pressure; (3) the Association handles the notice of loss and adjustment procedures and relieves the school authorities as well as the agents of much detail work; and (4) the school district and board of education has available expert insurance talent and advice on insurance problems.

Plans for setting up an equitable distribution plan will differ because of varying conditions in various communities, but there are some overall steps that should be considered.

1. An application form or questionnaire should be developed that will give objective information on each local agent or broker requesting school insurance business. The questionnaire should reveal such information as ownership of agency, insurance company or companies represented by the agency, business operated from home or separate office, telephone and address, net premium income of the agency during the calendar year, number of years doing business in the school corporation, other kinds of business transacted from same office, and sum of property taxes paid by agent or agents.
2. With the information concerning each agent or broker available the minimum requirements that each must meet in order to participate in the school's insurance business should be determined. Suggested requirements are number of years that the agency has been doing business in the school district, the volume of business in fire and general insurance, and the amount of local property taxes paid by the agent or agents.
3. Another important feature of an equitable plan of distribution is the determination of the amount of premiums or insurance to be allotted to each agent. If the board of education assumes that each bona fide agency within the school district is entitled to a proportional share of the school's insurance, an objective basis needs to be established for determining how much each agency will receive.

There are other methods used by school corporations and boards of education in allocating the school's fire insurance business. In many school

corporations, the board of education will allot all or most of the school insurance business to one agent in return for the agent's services as an insurance advisor to the board. This can work successfully if the other agents in the school district understand the intent of the board and recognize the competence of the agent and the service provided.

According to the best authorities, agents or brokers should be selected by:

1. Calling for bids for the placement of insurance
2. Using predetermined objective criteria established by the board of education or the school administration. This criteria should include:
   - financial security of the insurance company
   - type of service
   - state rating, if available
   - Best's Insurance Guide rating
   - management practices
   - speculator chart
3. Consulting with an agents' or brokers' association which represents the majority of the insurance agents in the school district.

In determining the company with which to place insurance, school boards should take into account: quality of service rendered; management characteristics and financial strength; the company's history in regard to settlements of loss claims.

Capital Stock Insurance Company is a company having, in addition to surplus and reserve funds, a capital fund paid in by its stockholders.

The operating capital has been obtained by the sale of stock, and is thus owned by the stockholders with the company operated by boards of directors elected by these stockholders. Their purpose is to make a profit for the owners.

Stock companies may conduct several types of insurance business depending upon the nature of their charters. Buyers of insurance as such are not a part of the company. The purchaser of insurance buys protection from these companies for a consideration known as a premium.

Mutual Insurance Company is an insurance organization incorporated without capital funds contributed by stockholders, owned by its policyholders, and operated solely through premiums paid in by them.

There are numerous types of mutual companies that are owned by the policyholders. The policyholders are not only the insureds but also the insurers. They are generally operated by boards of directors elected by the policyholders. Profits from the business accrue to the policyholders. Like stock companies, they may conduct several types of insurance business, depending on their charters.

The policyholders may be charged the full premium rates on risks and be called upon for additional assessments if the company's income has not met its operating expenses and payments to policyholders for losses.

This assessment may be limited or unlimited. These assessments provide the operating capital and loss payments for such companies. Texas public schools cannot legally purchase insurance from mutual companies. (Article 2749--Page 335, Texas School Law.)

SPREADING THE INSURED RISKS

One of the basic principles of insurance is that all insured risks be spread among several companies. Local insurance agencies may distribute these risks by writing the school district coverage with several companies which they represent. Insurance companies may help in the distribution by refusing to accept more than a certain amount of coverage in a general area. Some companies will accept all risks, then reinsure, that is, they purchase some coverage for these risks from other companies. It seems logical for school officials to make their own distribution of risks to the various companies, for in doing so, they have used established criteria to select the companies to carry the risks.

Even though the criteria or standards developed below are not the only ones which might be used, they make it possible to view the problem of administering the insurance program other than that of an individual opinion. The criteria suggested relate to insurance company, economy, experienced personnel, efficiency and education implications.

Insurance Company. The insurance company carrying the risk should be one that is reliable and financially sound. The primary base for establishing the reliability and financial soundness of insurance is found in the laws. (Article 2749--Page 335, Texas School Law).

Economy. The term and type of the insurance policy should be produced that will render the school corporation the most effective protection at the least cost.

The "economy" criterion is one that should be emphasized in all aspects of the business administration of the school system. Economy procedures may

be developed in the utilization of the school plant, the development of the instructional program, the maintenance procedures, and the provision of needed services.

Experienced Personnel. The administration of the school insurance program should be performed by persons that have the proper training and experience.

The "experienced personnel" criterion is another that applies to the total management of the school system, both educational and business management. The success of the administration depends largely on the training and experience of the staff member in charge and on the personnel delegated to carry out the program.

The authorized person responsible for purchasing the insurance contract is determined by board of education policies. Since the board of education is a legislative and policy making body, it employs competent individuals to administer educational programs and business of the school district.

Efficiency. Systematic organization and planning of the insurance program is necessary to insurance economy. A well administered program requires that the data necessary for effective control be available.

The "efficiency" criterion can be developed through a consideration of those aspects which contribute to a firm foundation of an insurance program. Efficient organization is realized from well-made plans. These plans are workable only to the extent that necessary data have been secured to give them a firm foundation.

1. Insurable value. Previous studies of school building fire insurance raised two questions:
   a. How much is each of the district's school buildings worth today?

b. Could the same amount of insurance be collected which is equal to today's replacement cost, less depreciation if a school building were destroyed?

The consideration of these two questions is the first step in setting up an insurance program that has an accurate appraisal to determine the value of the property.

2. Rating. No insurance program will be efficient if the administration does not know that the lowest possible rates are in force on the building. Administrators need a better insight into the rates so that they will know the relationship of insurance rates and possible economies in the insurance program.

Educational Implications. The insurance program should be so organized that it will further the educational program.

Since the educational plan is the basis of the budget, the insurance program and the business administration of the school become integral parts of the educational plan. Careful and efficient administration is concerned with getting full value of each dollar spent. Funds spent for insurance should be considered in relation to their contribution to the furtherance of the educational program, thereby lending support to the "educational implication" criterion.

DISTRIBUTING THE BUSINESS

The selection of local agencies to whom school business is to be given is a problem that can be settled only by local officials. Some local agencies provide little service, but they expect their share of public monies

spent for school insurance. Often the local agent has little part in the school insurance program other than to write the policy, which may be changed and returned by the insurance company. Other agents provide valuable services in setting up the school insurance program and may feel entitled to more of the school insurance business. Local factors often determine the agent to receive a share of the school insurance business.

The following suggestions may be of aid to local boards of education in distributing school insurance:

1. Select the company rather than the agent.
2. Allocate in equal amounts the insurance coverage to each local agent.
3. Select one as agent of record, divide the premium among the other agents.
4. Select a broker-agent to handle all the school insurance.
5. Call for bids among local insurance agents.
6. Ask local insurance associations to recommend one or two companies in their organization to handle the whole program, then divide the premium among the membership.

The local school official designated by the board for insurance supervisor, should maintain insurance records, develop data on costs and losses, tabulate ratings of various companies, and prepare recommendations for the board's consideration with respect to the distribution of the business among the agencies in the district.

KEEPING ADEQUATE RECORDS

Schools having coverages on a variety of risks should maintain simple but accurate up-to-date insurance records. Efficient conduct of school in-

surance demands that adequate insurance records be kept in terms of both buildings insured and policies carried. In order to obtain good administration, records are indispensible.

Periodic reports to the board of education should be made for the best protection at the least cost. Various records can be developed for fire insurance purposes. The number and extent of the records would vary with the size of the school corporation or the number of buildings. A building record for insurance purposes should list the name of the building, type of construction, insurable value of the building and contents, appraisal date and appraiser, amount of insurance on building and contents, rate and type of insurance carried. A similar record should be maintained for the contents.

An insurance policy record should list the name of the carrier, policy number, property insured, date of policy, date of expiration, term of insurance, term rate, amount of policy and premium and due date of the premium.

A supplementary record known as a tickler would give you the classification of insurance policy by due date.

A more concise record can be developed for the listing of the above information on one form. On the following page is an example of a simple and easily kept insurance register.

Insurance Register

DATE OF POLICY	POLICY NO.	INSURER	PROPERTY OF PURPOSE	AMOUNT	TERM	EXPIRATION DATE

EXPIRATION DATE	UNEXPIRED PREMIUM	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER

Fire Insurance Register

BUILDING AND CONTENTS	TYPE OF CONSTRUCTION	INSURABLE VALUE	APPRAISED	AMOUNT OF POLICY	POLICY NUMBER

	POLICY NUMBER	RATE	PREMIUM	CARRIER	AGENCY	EXPIRATION DATE

The safeguarding of insurance records, as well as other school records, is important. Proper protection should be given to those records that must be retained. The appraisals, inventories, and insurance contracts are of no value if lost because of fire and other reasons. Such records should be kept in a fire-proof vault separate from the insured building. For administrative purposes, a duplicate copy of the insurance policies and register by buildings should be maintained in the regular office files.

REVIEWING THE PROGRAM

Periodic review is necessary as values, risks or rates change. Additional coverage may be required from time to time. Frequent reviews make it possible to make adjustments in coverage, rates, distribution among agents, and the type of coverage. In most states, insurance policies indemnify for losses to the extent of the cash value of the property at time of loss, or if insured for less than its value, only to the extent of coverage. Schools which have essential records on costs and value have an advantage in claim settlements. When such data is not available, the adjuster may put the burden of proof, with respect to the amount of loss, on local school officials. A program review of the school district's insurance program is important for good administration of the program. A standing committee could be used to review this every year and to make recommendations.

MAKING CLAIM SETTLEMENTS

When school property is damaged or destroyed, there are certain obligations imposed upon the owner by the terms of the insurance contract. When there is an insured loss, as it is necessary that school officials know the

requirements of each insurance contract.

Obligations of the insured with respect to loss settlements may include:

1. Giving the insurance company a notice of loss in writing.
2. Permitting the insurance company a reasonable time to inspect the remains of property after it is damaged or destroyed.
3. Furnishing formal proof of loss.
4. Protecting salvaged property against further damage.

A basic principle in the settlement of insurance claims is that of subrogation, which does not apply to life insurance but is especially applicable to all forms of property loss involving damage claims. Its purpose is to protect the principle of indemnity, so the owner of insured property cannot collect twice for damage or destruction, once from the insurance company and by suit for damages against a third party. This prevents both the insurance company and the insured from making a profit out of the loss. The insurance company, having taken over the insured's losses, also takes over his remedies, thereby transferring his rights of recovery from a third person to the company.

There is no law in Texas covering this, but school board policies should include a statement on subrogation.

REORGANIZING THE LOCAL INSURANCE PROGRAM

Insurance programs may be developed after a survey either by local officials or by persons not connected with the school. This survey may be one of management, or it may be applied to specific areas of coverage.

Property values change, and sometimes needs develop for different types and amounts of coverage. If reorganization of the program results, the plan should outline the amounts of coverage in the various areas, set up the expiration dates, and make provision for adjustments with new additions or new coverages.

It is possible to let the old policies mature, and then rewrite the new policies on the plan of the reorganized program. It would then be necessary to have complete data on existing policies, such as: list of current policies, expiration date, the amounts and properties covered. If the reorganization plan calls for five-year policies, some will have to be rewritten so that after a few years one-fifth of the total insurance will mature each year. This procedure is slow, and can produce confusion, in making settlement with insurance companies in the event of losses. Again the old policies might have been written on a flat rate, and the more recent ones would be on a coinsurance rate.

It is possible to reorganize the insurance program by cancelling all existing policies and rewrite on the three or five year term. Consideration should be given to coinsurance, deviated schedules, and comprehensive insurance, depending on the property to be insured. Companies are generally willing to cancel old policies on a pro-rata basis but if they are not, short-term cancellation rates can be applied. If the new program is on a three-year term basis, one-third of the coverage can be written for three years and two-thirds for one year. At the end of the first year, one-third of the amount written for one year will be rewritten again for three years. At the end of the second year, the remaining one-third of the coverage will be rewritten for three years, at which time the entire coverage will be on a three year basis, one-third maturing each year. The same procedure can be followed if the reorganized program is to be on a five-year

term basis except it will take four years to implement.

BOILER INSURANCE

Boiler insurance does not cover furnaces since a boiler and furnace are not the same. A boiler heats water or converts it into steam. A furnace is a section of a heating plant that converts fuel into heat.

A broad policy covers boilers, hot water heaters, hot water tanks, motors, air compressors, and other items where water is under pressure.

Although there is no State law requiring that boilers be examined annually (preferably in August), every school district is responsible for doing so. (Article 5221c--Page 1054, Texas School Law).

GLASS INSURANCE

Insurance to protect glass is available, but few schools carry it because of the cost and the small incidence of breakage. A standard fire policy or an extended endorsement will cover loss of glass from fire, hail, explosion, wind, or riot.

When a innovation in school house construction is established, insurance agents should be requested to check the plans before construction has started. Many school districts have saved money by having items changed to meet city code and standards. After a close check and consideration of the cost of glass insurance, the district may want to make some changes.

ALL-RISK OR FLOATER INSURANCE

All-risk or floater insurance is like Inland Marine insurance and covers property that has no fixed location such as: musical instruments, athletic

equipment, costumes, audio-visual equipment, uniforms, and the like. Such policies replace fire, theft, and extended coverage on other policies. Floater insurance must designate the actual cash value of each item insured and the same item should not appear on more than one policy.

All-risk or floater type insurance policies are easy to obtain from the school's insurance agent or broker.

The school official handling the insurance for the school district can estimate the first year the number of instruments to be covered. After school starts, an accurate count can be made of student-owned instruments and school-owned instruments. Each student will be informed as to the amount of coverage on his instrument, and pay the required amount to the band director, who will convey it to the proper school official. The school will then pay the insurance agent or broker the total amount of funds collected from the students plus the amount due on school-owned instruments. The last part of October or the first part of November is suggested as the time to pay the premium on this policy. A list of all student and school owned instruments should be maintained by the superintendent, principal, and the band director. Information from the first year's survey and a check of new and discarded instruments will enable the school official to estimate the next year's needs.

LIABILITY INSURANCE

Schools in Texas are not liable (Article 2687a--Page 169, Texas School Law) but some wish to carry this type of insurance, as a moral obligation. The most common forms are general liability and bus liability. There are two types of the latter, the comprehensive policy and the schedule policy.

The schedule policy covers specific hazards, while the comprehensive has a broad coverage of many hazards.

In general, school districts in Texas operate on the doctrine of governmental immunity from liability.

PUPIL ACCIDENT INSURANCE

Several schools have pupil accident insurance, and in most instances, the teacher collects the premium from the pupils and it is remitted to the insurance company. Some schools have this type of protection to include pupils participating in athletic contests, with the premiums being paid from athletic gate receipts by the school district. (Article 2687a--Page 169, Texas School Law).

VANDALISM AND MALICIOUS MISCHIEF INSURANCE

An endorsement can be added to a fire insurance extended coverage policy to cover direct property loss due to vandalism and malicious mischief.

Adequate records should be kept to determine the amount of vandalism which has occurred in the district. If the vandalism amounts to more than a policy, it would be advisable to take it. If not, then you may want to save the district some money. Here if the school official wants to be a prudent individual he would add it to his policy.

FIRE PROTECTION

Fire-resistive construction provides the maximum protection against destruction of property. From the standpoint of safety, however, adequate, well-placed exits are as important as the type of construction. Fire prevention and life safety are a matter of safe construction, proper mainten-

ance, good housekeeping, and appropriate behavior. Upon starting construction of a building, the insurance agent might be asked to examine the plans to make sure the buildings will be fire-proof.

All school buildings should be constructed so that there are no large concentrations or expanses of highly combustible materials, such as wood or wood fibers. Adequately protected escape routes should be provided and students trained in their use. Fire extinguishers should be installed, as recommended by the National Fire Protection Association, at hazardous locations and at convenient places throughout the building. The correct type of extinguisher should be available for the kind of fire most likely to occur at each location.

Proper fire escapes, if required, should be well located and in good condition, with particular attention to accessibility, ease, and safety.

Preferably the heating plant and fuel storage rooms should be located outside the building proper. If located within the building, they should be completely enclosed by firewalls and self-closing fire doors. If the heating plant is located in a basement, there should be concrete floor construction over that section of the basement, and approved fire doors. Every furnace room and boiler room should have a direct outside exit.

Corridors and stairways should be fire-resistive and should be adequate as to number, location, width, size of risers, treads, railing, and landings. Every basement room used for assembly purposes should have at least two separate exits, at least one of which shall lead directly outside the building.

A fire alarm system should be provided and be designed so that an alarm can be sounded from at least one location in the corridor of each floor, the

principal's office, and the heating plant. Horns or gongs should be distinguishable from regular class bells and situated so as to be heard throughout the building.

Walls and ceilings should be surfaced with noncombustible finish.

Fire exits from upper floors should not be adjacent to combustible walls, ceilings, or areas containing combustible materials.

Children and teachers should not be expected to work in a school building with faulty heating equipment which might cause a fire or explosion or discharge combustion gases into the building.

The school building doors should open outward and be operable from the inside. All exterior doors should be equipped with panic hardware.

EXCERPTS OF SCHOOL LAW AND ATTORNEY GENERAL OPINIONS ON SCHOOL INSURANCE

School districts cannot legally contract with mutual insurance companies for fire insurance policies. 147 S.W. 2nd 298.

A school district cannot hold an insurance policy issued by a mutual fire insurance company, even if premiums are paid by a third party. (0-4784, September 17, 1942).

A rural high school district has no authority to expend its funds to pay for premiums for workmen's compensation insurance taken out to protect employees of the district engaged in the construction of a school building for the district, since the erection of a school building by a district is a governmental function and the district could not be held liable for injuries received by the employees in the course of construction of such building. (V-619, June 28, 1948).

Trustees of school districts cannot place insurance on school buildings through an agent who is one of the trustees. (0-1142, July 31, 1939; 0-7237, June 5, 1946; 0-7378, September 7, 1946).

School district trustees are authorized to contract with the State Agency for five year periods for Old Age and Survivor Insurance participation to cover local district employees and may spend local or Minimum Foundation Program funds to provide same. Matching payments made by a school district could be considered part of the minimum salary required to be paid teachers under the Foundation School Program Act. It is not unlawful for the same person to receive benefits from the Teacher Retirement

System and Social Security. A state-wide referendum of all employees of school districts who are also members of the Teacher Retirement System could be held by the State Agency, and the State could match employee contributions from either the State Available Fund or the Minimum Foundation Program salary funds. The Texas Constitution does not prohibit State or school district participation in the Social Security Act Program. (S-152, February 22, 1955).

A school district is not liable for damages for injuries suffered by a student participating in a football game or while traveling to or from a game on a school bus, regardless of whether or not a portion of the student body is insured by the school against such injuries. (O-1405, September 16, 1938).

Members of the board of trustees of a school district are not liable for damages arising from the use of school buses in extracurricular activities, such as athletic contests and interscholastic league meetings, in the absence or abuse of discretion on their part. (O-6182, October 13, 1944).

Independent school districts have no authority to expend school funds to pay insurance premiums on policies covering personal injuries sustained through the operation of school buses. (O-1418, September 25, 1939).

School funds, whether tax or non-tax, cannot be used to pay premiums on insurance policies covering school buses for protection against liability for damages arising out of operation of the buses. (O-6182, October 13, 1944).

There is no legal objection to a school district's requiring a bus driver to provide himself with personal accident insurance as a prequisite to his employment. (October 5, 1938; A.G. Vol. 383, Page 241).

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Sureties on the bond of a bus driver may be liable to the extent of the bond for injuries occasioned to a child due to negligence of the driver while transporting the child to or from school. (November 1, 1934).

The bond required of the driver by this article is intended to compensate any pupil who might be injured due to negligent acts of the bus driver. (November 16, 1937; A.G. Vol. 379, Page 9).

Each driver who is actually to drive children to and from school should execute a bond under provisions of this article, regardless of the fact that such driver may be employed to drive buses by a person who has himself made such a bond. (O-3002, January 10, 1941).

The bond of a bus driver would apply when the bus is being used on trips in connection with extracurricular activities, such as athletic contests and interscholastic league meetings, if the driver's contract obligated him to drive on such occasions. (O-6182, October 13, 1944).

Article 2919h. Interschool Athletic Contests --Insurance on Students

Section 1. The Board of Trustees of each and all school districts in Texas, when, in the opinion of the Board, the financial condition of the school district will permit, shall have the authority to insure the students who participate in interschool athletic competition for bodily injuries sustained by said students while under training for or engaging in said competition. The amount of insurance obtained shall be in keeping with the financial condition of the school district and shall not exceed the amount, which in the opinion of the Board, is reasonably necessary to afford adequate medical treatment of students so injured. The insurance herein authorized shall in all cases be obtained from

some reliable insurance company authorized to do business in Texas and shall be on forms approved by the Insurance Commission of Texas.

Section 2. Premium payments for the insurance herein authorized shall only be paid from receipts accruing to the school from admission charges to school athletic contests or other receipts from said contests, and from no other fund or funds.

Section 3. Nothing herein contained shall be construed as placing any legal liability upon school districts or their officers, agents or employees, for such injuries or of rendering it mandatory that local school boards carry such insurance. The Legislature does declare, however, that the costs of such insurance, where provided hereunder, is a legitimate part of the total costs of the athletic program of the school districts of the state. (Acts 1959, 56th Leg., Page 215, Chapter 124).

Bills authorizing school officials to pay premiums on group insurance policies for school employees with public money are unconstitutional and void, conflicting with this and other provisions of the Texas Constitution. (Page 19, V-147, April 16, 1947).

School districts cannot use local maintenance funds to pay the employer's part of a group life insurance policy premium for teachers in the district, nor make provision for such payment by designating such payment a part of the teacher's salary in the teacher's contract. (Page 344, O-2838, December 18, 1940).

A school board is not liable in damages for acts done in discharge of official duties except for willful or malicious acts or, probably, excessive

abuse of discretion. (November 8, 1913, to W. F. Doughty, State Superintendent of Public Instruction; T.E.A. 356, Page 381).

An independent school district cannot be bound by the trustees to assume liability for damages due to the death or injury of any person incurred in the use of premises or equipment leased for use by the district in teaching classes in welding. (Page 381, 0-3346, April 5, 1941).

A trustee of an independent school district cannot legally sell the school district insurance on buildings and property of the district. (Pages 381-382, 0-1142, July 31, 1939; 0-7237, June 5, 1956; 0-7378, September 7, 1946).

A school trustee cannot legally write insurance on property of the school district. (Page 445, 0-1142, July 31, 1939; 0-7237, June 5, 1946; 0-7378, September 7, 1946).

A school district cannot pay from local funds premiums on insurance policies payable to the State Board of Vocational Education covering the value of educational equipment loaned to the school district by the State Board for Vocational Education. Nor may the school district pay the rent for the use of such equipment to enable the State Board for Vocational Education to insure such equipment. Neither may the school obligate itself to replace any such equipment destroyed or lost by fire or theft. (Page 492, 0-6283, January 30, 1945).

Article 2827; Section 2. Local school funds from district taxes, tuition fees of pupils not entitled to free tuition and other local sources may be used for the purposes enumerated for state and county funds and for purchasing appliances and supplies, for the payment of insurance premiums, janitors and other employees.....(Page 799).

Trustees cannot pay the premium of surety bond for an employee unless the statute requiring bond so provides. (Page 808, November 8, 1913, to W. F. Doughty, State Superintendent of Public Instruction; T.E.A. 356).

The trustees of an independent school district may apply money received as insurance on a schoolhouse destroyed by fire to the purchase of a school bus. (Page 809, 0-362, March 21, 1939).

Money collected as insurance on a school building destroyed by fire is classed as local school funds and can be used only for the purposes permitted by this article. (Page 809, 0-464, April 27, 1939).

CONCLUSION

The responsibility for protecting school property is within the legal and moral responsibility of local school boards. (Article 2827, Page 799). There is need for a better understanding and concept of insurance in Texas.

To provide an adequate insurance program for the schools of Texas, the following items should be considered:

1. Legality
2. Responsibility of administering the program
3. Record keeping -- property accounting
4. Property appraisals, when and by whom
5. Economy through --
   a. Coinsurance
   b. Competitive bidding
   c. Deviated rate schedule
   d. Term policies - three or five years
   e. Combining insurance policies - extended insurance
   f. Combining school buildings and contents in one rate
   g. Removal of fire hazards
   h. One master policy - one agent of record
   i. Construct semi-fire-proof buildings, submit plans to Texas Insurance Commission for a rating.
   j. Package Insurance Program
   k. Insurance register or tickler

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